

HYDRO ONE NETWORKS INC.
TRANSMISSION
 Calculation of Utility Income Taxes
 Historic Year
 2011 Networks Tax Return Allocation to TX and DX
 Year Ending December 31
 (\$ Millions)

Line No.	Particulars	Networks	Transmission	Distribution
<u>Calculation of Federal and ON Taxable Income</u>				
1	Net Income Before Tax (NIBT)	\$ 760.1	\$ 457.8	\$ 302.3
2	Required Adjustments to accounting NIBT			
3	Recurring items included in Revenue Requirement (RR):			
4	Other Post Employment Benefit expense greater than payments	18.7	8.3	10.4
5	Depreciation and amortization	588.4	301.5	286.9
6	Capital Cost Allowance	(692.1)	(389.6)	(302.5)
7	Removal costs	(7.5)	(2.0)	(5.5)
8	Environmental costs paid	(14.6)	(6.9)	(7.7)
9	Non-deductible items (50% Meals & entertainment / interest)	7.1	4.3	2.8
10	R & D Fed ITC/ Apprenticeship (prior yr addback)	1.5	0.9	0.6
11	Capitalized overhead costs deducted	(43.7)	(26.0)	(17.7)
12	Capitalized Pension cost deductions	(59.7)	(23.2)	(36.5)
13		<u>\$ (201.9)</u>	<u>\$ (132.7)</u>	<u>\$ (69.2)</u>
14	Deferral accounts not part of RR:			
15	RSVA/RRRP	32.7	0.0	32.7
16	Restricted Depreciation	19.0	19.0	0.0
17	Smart meter costs deferred	6.7	0.0	6.7
18	Tx Export credit/Deferred export Rev	9.3	9.3	0.0
19	Deferred Pension	(14.3)	(1.2)	(13.1)
20	Deferral a/c's etc.	9.7	1.9	7.8
21	Tax Changes deferral a/c s	4.4	0.0	4.4
22	Riders 3/6/8	1.5	0.0	1.5
23		<u>\$ 69.0</u>	<u>\$ 29.0</u>	<u>\$ 40.0</u>
24	Reversal of accounting adjustments not part of RR:			
25	Contingent liability movement	(7.6)	(5.6)	(2.0)
26	Capitalized interest deductible for tax	(56.5)	(45.9)	(10.6)
27		<u>\$ (64.1)</u>	<u>\$ (51.5)</u>	<u>\$ (12.6)</u>
28	Recurring items not part of RR:			
29	Cumulative Eligible Capital	(6.5)	(4.3)	(2.2)
30		<u>(6.5)</u>	<u>(4.3)</u>	<u>(2.2)</u>
31	Immaterial items not in business plan detail:			
32	Capital additions deducted for accounting	9.4	0.4	9.0
33	Reverse Insurance proceeds included in NIBT	(1.0)	(1.0)	0.0
34	Net Underwriting/Finance costs	(3.9)	(2.5)	(1.4)
35	WSIB	(1.8)	(0.8)	(1.0)
36	Tenant Inducement	1.7	0.7	1.0
37	Capital tax paid vs. accrued	0.7	0.4	0.3
38	Other	2.8	3.2	(0.4)
39		<u>7.9</u>	<u>0.4</u>	<u>7.5</u>
40				
41	NET Adjustments to Accounting NIBT	<u>\$ (195.6)</u>	<u>\$ (159.1)</u>	<u>\$ (36.5)</u>
42				
43	Taxable Income	<u>\$ 564.5</u>	<u>\$ 298.7</u>	<u>\$ 265.8</u>

NOTE:

Transmission includes Five Nations data